

Message Text

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45

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 AF-06

ARA-10 EA-10 EUR-12 /141 W
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R 160743Z JUN 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 4800

UNCLAS BEIRUT 7554

DEPT. MAY WISH PASS OPEC AND OECD POSTS

E.O.11652: N/A

TGAS: ENRG, EFIN,OPEC

SUBJECT: MEES REPORT OF OPEC CONFERENCE LIBREVILLE

REF: STATE 130768

SUMMARY: FOLLOWING SUMMARIZES LENGTHY IAN SEYMOUR
REPORT JUNE 13 MIDDLE EAST ECONOMIC SURVEY (MEES).

1. PRICES: CONFERENCE SERVED CLEAR NOTICE PRICES WILL
BE INCREASED OCTOBER 1. WHEN SDR'S ALSO WILL BE ADOPTED.
SAUDIS OPPOSE LARGE INCREASE (BELOW). POSTPONEMENT IS
CONCILIATORY GESTURE TO CONSUMERS. " JUDGING FROM OPEC
MOOD LIBREVILLE A SIGNIFICANT PRICE RISE TO COMPENSATE
FOR INFLATION AND CURRENCY LOSSES-- OPEC OFFICIALS PUT THE
LOSS OF PURCHASING POWER AT AT LEAST 35PERCENT SINCE
JANUARY 1974--LOOKS INEVITABLE." ITS EXTEND AND HANDLING
WILL BE INFLUENCED BY CONSUMER ATTITUDE AND ACTIONS
TOWARD MEANFUL ECONOMIC DIALOGUE WITH THIRD WORLD .

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2. SDR'SC AFTER DISAGREEING ON BASE PERIOD, CONFERENCE

UNANIMOUSLY DECIDES TO ADOPTED SDR'S TO EXPRESS OIL PRICES ON OCTOBER 1 SPECIAL WORKING GROUP ON INFLATION AND INDEXATION MEETS VIENNA JULY. MECHANICS OF CHANGE TO BE COMPLETED NEXT OPEC CONFERENCE SEPTEMBER 24. CONFERENCE HAD EARLIER CONSIDERED FOLLOWING ECONOMIC COMMISSION OPTIONS FOR DOLLAR SDR BASE PERIOD.

A. OCTOBER 1974, WHEN DOLLAR WAS SDR 0.838650, WHICH WOULD INCREASE GOVERNMENT TAKE OF \$10.12 ON ARAB LIGHT BY ABOUT 47 CENTS;

B. DECEMBER 1974, WHEN \$1 WAS SDR 0.823949. TAKE INCREASE OF 27 CENTS;

C. OVERALL 1974 AVERAGE, PERCENT INCREASE;

D. GENEVA II FORMULA: INCREASE OF 40 CENTS ON DECEMBER 1974 BASE OR 80 CENTS ON OCTOBER 1974 BASE. INITIALLY, CONFERENCE MAJORITY FAVORED EITHER DECEMBER 1974 BASE OR SO 80 CENTS ON OCTOBER 1974 BASE INITIALLY, CONFERENCE MAJORITY FAVORED EITHER DECEMBER 1974 OR OVERALL 1974 BASE WHILE "HARD LINERS" ALGERIAN IRAQ AND LIBYA FAVORED OCTOBER 1974 BASE. SAUDI ARABIA, HOWEVER, WHILE FAVORING CHANGE TO SDR, MADE CLEAR IT PREFERRED NO ACTUAL PRICE INCREASE IN DOLLARS AND WOULD NOT RPT NOT APPROVE MORE THAN PROVIDED BY JANUARY 1974 BASE. OR ABOUT 11 CENTS/BARREL.

3. DIALOGUE: NOT FORMALLY DISCUSSED, ABSENCE OF YAMANI AND AMOUZEGAR INHIBITED INFORMAL DISCUSSION. HOWEVER, MEES SOUNDINGS OF THREE OF FOUR OPEC PARIS PRECOM REPRESENTATIVES -- SAUDIS, IRAN, VENEZUELA--REVEALED FAIRLY HOPEFUL VIEW OF THE APPARENT SHIFT IN THE AMERICAN POSITION" VENEZUELA OIL MIN HERNANDEZ OPTIMISTIC ABOUT PROSPECTS ANOTHER PRECOM JULY OR AUGUST BUT SAID BEHIND SCENES GROUNDWORK NECESSARY TO AVOID "ANOTHER FIASCO" ALGERIAN INDUSTRY AND ENERGY MINISTER ABDESSALAM, HOWEVER, NOT GREATLY IMPRESSED BY LATEST AMERICAN POSITION. HE TOLD MEES HE SEES SOME IMPROVEMENT BUT " DEFINITELY NOT ENOUGH " PERMIT NEW PRECOM. HE SPECIFIED THREE OBJECTIONS TO SECRETARY'S RECENT SPEECH: 1) NEGATIVE ATTITUDE TOWARD INDEXATION, 2) ATTEMPT TO COMPARTMENTALIZE ISSUES AND DOWNPLAY NON-ENERGY CONCERNS OF THIRD WORLD, 3), NO REFERENCE TO MONETARY REFORM AND RELATED PROBLEMS.

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4. OTHER MATTERS.

A. CRUDE QUALITY AND FREIGHT DIFFERENTIALS WERE SUBJECT OF " INCONCLUSIVE" ECONOMIC COMMISSION REPORTS. CONFERENCE DIFFERED OVER WHETHER TRY FOR AUTOMATIC ADJUSTMENT FORMULA OR FLEXIBILITY OF PERIODIC PRICE REVIEW AND CONSULTATION. GULF MAJORITY NOT NOW PREPARED REDUCE PREMIUMS ON COORDINATED BASIS WITH ABU DHABI REDUCTIONS.

CONFERENCE DECIDED TO LET CURRENT DIFFERENTIAL APPROACHES
REMAIN AND HAVE GROUP STUDY PROBLEM FOR SEPTEMBER CONFER
ENCE.

B. SOLEMN DECLARATION FOLLOW-UP REPORTS (PRODUCTION
PROGRAMMING, MONETARY REFORM, OPEC FERTILIZER PROJECT)
CONTINUE UNDER STUDY. MONETARY REFORM TO BE CONSIDERED
BY OPEC FINANCE MINISTER IN JULY.

C. NATURAL GAS PRICING POLICIES TO BE COORDINATED
IN LINE WITH OPEC OIL PRICING POLICY, TAKING ACCOUNT OF
PREMIUM DUE GAS.

D. OPEC NATIONAL OIL COMPANIES TO COOPERATE THROUGH
SPECIAL OPEC AGENCY, PROBABLY SECRETARIAT DEPARTMENT OR
COMMITTEE.

GODLEY

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